

last chapter is written by the other editor of the book, Andrius Bielskis, a professor and a leading public intellectual in Lithuania. He first reviews leftist thinking prior to the fall of the Berlin wall, from Marx to Dahrendorf and Wahl. Then he relates how the left shifts from a theory of emancipation of the working class to today's left-liberal discourse. He thinks that the left today needs new theoretical resources to oppose capitalism, mentioning MacIntyre's notion of practices as one of them.

Summing up, it is remarkable how many reflections, thought-provoking and useful for economic ideas, stem from MacIntyre's thinking. This prompts me to suggest not only reading this book but also, even before, MacIntyre's *After Virtue*, which is the root of these reflections.

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## The Sharing Economy: The End of Employment and the Rise of Crowd-Based Capitalism

**Arun Sundararajan**

Cambridge, Massachusetts: The MIT Press, 2016 (240 pages)

The central thesis of *The Sharing Economy* is that, over the past four decades, three characteristics of digital technology have created a new production and employment sector, here referred to as the sharing economy. First, there is a growing perception that most goods and services represent information; hence, given the possibility of rendering this information digitally, all that is needed are design and a template. Second is the sustained growth in hardware power, bandwidth, storage, and miniaturization of digital devices. The final characteristic is modular programmability that aggregates, codifies, and integrates complexity into standardized software platforms. Users and suppliers engaging in transactions through platforms such as Uber and Airbnb constitute the sharing economy. Downloading a new app to a smartphone enables capabilities and transactional possibilities that otherwise would not exist. The sharing economy is not presented here merely as technological determinism but as a response to contemporary social issues. In addition, the book details how these innovative transactions supplement, substitute for, or challenge traditional firms, workers, and regulatory agencies (53).

The goal of the author—an economist and a professor at New York University's Stern School of Business—is not necessarily to advocate the sharing economy but rather to exhaustively describe this new phenomenon and assess its potential political, economic, and social effects. Chapters 1–4 deal with historical and technological factors that have allowed this economy to evolve. Chapters 5–8 address economic and regulatory issues. Of particular interest though are chapters 7–8, confronting workforce issues.

What does the term *sharing economy* mean? It represents emerging markets in new services that could result in higher levels of economic activity, new opportunities for capital to be used at levels closer to capacity, and initiatives based on decentralized crowds

rather than centralized corporate or state aggregates. The author argues that these transactions blur the lines between personal and professional and between fully employed and casual labor (27). The sharing economy is not a “gift economy”; there is very little actual “sharing” in the sharing economy. None of the services are offered for free. The author indicates that prior to the Industrial Revolution a significant percentage of economic exchange was embedded in community and intertwined with social relations (4). Today, technology-powered markets have extended both sharing and entrepreneurial behaviors beyond the community and away from traditional corporations toward what the author prefers to call “crowd-based capitalism.”

Sundararajan senses the tension between the profit-motivated and purpose-driven sides of the sharing economy and suggests that social media laid the digital tracks on which many platforms rest (25). The roots of this activity, according to the author, stem from a “socialist” sensibility based on trust; social cues and online reviews operate as coordinating and self-regulating mechanisms. He identifies a social buzz resulting from the belief that peer-to-peer transactions will replace hierarchies and perhaps result in a shift back to focusing on the dimensions of quality that really matter (17). The author is better at presenting the motivations of peer-to-peer participants, particularly in urban environments, than in evaluating how realistic these motivations are—for example, determining whether the sharing economy he describes really does mitigate feelings of isolation or whether it fosters personal ties between users and suppliers (66).

The author cites the work of Michel Bauwens and Yochai Benkler to support his claim that the sharing economy has the potential of completely changing how certain goods and services are produced and delivered. The role of prices in providing information and allocating resources would be assumed in the sharing economy by social relations facilitated by “permissionless” protocol networks, distributing knowledge presently centralized in hierarchical firms (33).

Sundararajan sees *blockchain* technology taking the role of the crowds from the periphery to the center, as peers—both users and suppliers—become autonomous, self-managing market makers. In fact, the author consistently uses the term peer-to-peer (P2P) to describe this evolving sector based on internet software platforms. Bitcoin pioneered block chains by developing an anonymized ledger of financial transactions, demonstrating how trusted P2P transactions can take place without a third-party intermediary to clear transactions. The term *trust* is not used in any moral or fiduciary sense but rather as a source of confidence in given transactions. Trust, according to Sundararajan, builds on prior interactions, learning from the experience of others, brand certification, digitized social capital, and validation from external institutions (digital, government, and nongovernment).

The author argues that P2P increases the variety and quality of the consumer experience, utilizes excess capacity, develops task-specific rather than firm-specific human capital, takes advantage of network economics, and increases the depth of users and suppliers in local markets (112–30). By shifting both consumers and producers away from ownership, the sharing economy has the potential of increasing access to on-demand durable goods as well as democratizing opportunities through microentrepreneurship. The author does

recognize the moral hazard problems associated with inexperienced users and renters lacking a long-term commitment. Sundararajan does not, however, give weight to the personal time, talent, and treasure over the long haul needed to sustain any institution, either one of bricks and mortar or on the web.

Most of us are aware of how online platforms are changing how certain services are provided but not the extent and amount of capital invested in this “sharing” sector. Airbnb, alone, accounts for 5.4 percent of room supply in the United States this year (2016). As of late 2015, Uber, China’s Didi Kuaidi, and Airbnb had raised \$8, \$4, and \$3 billion respectively in venture capital and other pre-IPO financing.

Sundararajan resolves the conflict between the sharing economy and crowd-based capitalism for himself by placing goods and services, financing, occupational training, and the desire for human connectedness on a market-to-gift spectrum. He hypothesizes that these new institutions are a hybrid between a pure market of peer users and providers and more traditional hierarchical firms. Some platforms facilitate entrepreneurship and others employ contractors (77). Hospitality, social dining platforms, and labor swapping platforms, like Airbnb, VizEat, and Upwork, tend to be social and sharing, whereas focused services or labor platforms bear a closer resemblance to hierarchies. Lyft and Uber fall somewhere in between.

Chapter 6 deals explicitly with the problems of regulation and consumer protection but does not address in depth regulatory and tax arbitrage as a motivating force for the emergence of the sharing economy. In 2013, the New York State attorney general subpoenaed Airbnb, demanding that the company turn over host data for more than 225,000 New Yorkers using the platform. The author notes that Airbnb was at that time in negotiations with local officials to ensure that hosts paid local taxes on transactions. Therefore, the author does not see regulation as a tax issue but rather interprets government action as a response to political pressure to limit New Yorkers in multiple-unit dwellings from subletting their abodes for less than thirty days. Uber and Lyft face similar regulatory pressures in cities looking to enforce taxi licensing laws (135). To address the consumer protection issue, the author offers three emerging models of nongovernmental regulations: peer regulation, self-regulatory organizations, and delegated regulation through big data.

Critics of the sharing economy suggest that the big money goes to corporations owning software platforms rather than to on-demand workers/suppliers (161). Will the growing fraction of economic activity organized through marketplace-like platforms displace labor with software or depress wages as more qualified nonlocal workers flood previously restricted markets? While there is some evidence presented that an on-demand wage premium is being passed along to workers in certain occupations, the author concludes that we are actually seeing the dismantling of centralized workplaces as more and more businesses operate without a pool of permanent workers. Enterprises opt instead to draw on workers who are brought in to complete specific projects or tasks (172).

It is quite likely that the sharing economy will convert some of what is corporate and government employment into different forms of flexible and freelance work (162). In chapter 8, “The Future of Work: What Needs to Be Done,” the author asks whether

the sharing economy represents the rise of microentrepreneurs, who are empowered to work whenever they want from any location at whatever level of intensity they choose. Or, he asks, “Will it represent the end of broad-based growth rates in income for all and a race to the bottom with individuals working more hours for less money and minimal job security?” (177).

The book’s comprehensive discussion on the ambiguity of employment status of this new flexible workforce is insightful. One survey suggests that two out of three Uber drivers view themselves as independent contractors rather than employees (159). Meanwhile, some drivers are suing Uber, arguing that the platform wants the advantages of working with contractors while maintaining control of employees. Citing impending labor lawsuits, some platforms have ceased operation, and others have converted suppliers to part- or full-time employment.

Sundararajan proposes altering antitrust law to allow independent workers to collectively bargain and to exempt entities using independent workers from regulations on minimum wage, overtime, and hours-of-work based compensation. In addition, he recommends allowing nonemployer platforms to choose whether or not to provide workers with certain benefits. He proposes exempting platforms from withholding income, but not necessarily excise taxes (184).

Sundararajan’s analysis, however, goes beyond these recommendations. He expresses concern that health coverage, insurance against workplace injuries, paid vacations, a stable income, and other safeguards often provided or guaranteed by large institutional employers will need to come from other sources (187). He discusses but does not present any philosophical support for guaranteed income and other benefits provided either through self-funded cooperatives of independent contractors or by government (189).

Those personally associated or merely interested in the P2P movement would enjoy reading this book in order to gain a comprehensive view of services offered and to get a handle on the challenges it presents. *The Sharing Economy* would be an ideal supplementary text for any university class in industrial organization. Upper division students of economics could benefit as well from the author’s explicit application of moral hazard, information asymmetry, and adverse selection to a fascinating industry. The major contribution of *The Sharing Economy* is that it addresses every reservation a casual reader or professional might hold about this controversial emerging sector.

—Maryann O. Keating  
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